

Message Text

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ACTION EA-09

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R 220826Z JAN 76

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC 5977

INFO AMEMBASSY BANGKOK

AMCONSUL CHIANG MAI

AMCONSUL UDORN

CINCPAC

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CINCPAC FOR POLAD

E.O. 11652: N/A

TAGS: EFIN, EGEN, AFSP, LA

SUBJECT: REPORTS OF IMPENDING CURRENCY REFORM AND
NEW LAO GOVERNMENT SALARY LEVELS

1. ACCORDING TO EMBASSY LOCAL EMPLOYEES WITH SPOUSES OR OTHER RELATIVES IN LAO CIVIL SERVICE, THE ON-GOING SEMINARS IN ALL LAO GOVERNMENT MINISTRIES AND OTHER DEPENDENCIES ARE NOW BEING DEVOTED TO EXPLANATIONS OF A NEW CURRENCY WHICH IS SUPPOSEDLY TO BE INTRODUCED AS OF FEBRUARY 1 AND OF NEW LAO GOVERNMENT SALARY LEVELS WHICH ARE TO BE INSTITUTED AT SAME TIME.

2. GOVERNMENT EMPLOYEES ARE REPORTEDLY BEING TOLD THAT "NEW KIP" WILL BE WORTH EIGHT OF PRESENT KIP. OLD KIP WILL NOT BE WITHDRAWN, OR AT LEAST NOT IMMEDIATELY, BUT THEIR VALUE FOR PURCHASE OF COMMODITIES WILL BE ONLY ONE-EIGHTH

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THAT OF "NEW KIP." PDRL REPORTED PLANS TO PEG PRICES OF

BASIC COMMODITIES TO VALUE OF NEW KIP; TO PAY ITS EMPLOYEES IN NEW KIP; AND TO REDUCE GOVERNMENT SALARIES TO ONE-EIGHTH OF THEIR CURRENT LEVELS, I.E., A CIVIL SERVANT WHO NOW MAKES 40,000 KIP PER MONTH WILL RECEIVE 5,000 "NEW KIP" UNDER NEW SYSTEM. SEMINAR PARTICIPANTS ARE BEING TOLD THAT PRESIDENT SOUPHANOUVONG WILL RECEIVE 20,000 NEW KIP PER MONTH AS HIS OFFICIAL SALARY AND PRIME MINISTER KAYSONE WILL DRAW 18,290 KIP PER MONTH.

3. OUR EMPLOYEES ALSO CLAIM TO HAVE HEARD THAT PDRL WILL SET SALARY LEVELS OF FOREIGN-EMBASSY EMPLOYEES, BUT THIS COULD BE SELF-GENERATED RUMOR.

4. NEEDLESS TO SAY, WE HAVE RECEIVED NO RPT NO OFFICIAL NOTIFICATION OF A CURRENCY REFORM, MUCH LESS ANY DETAILS ON HOW OUR OPERATIONS WOULD BE AFFECTED. (INDEED, WE HAVE NEVER BEEN NOTIFIED FORMALLY BY FOREIGN MINISTRY OF THE 450 KIP PER DOLLAR EXCHANGE BONUS FOR EMBASSIES AND INTERNATIONAL ORGANIZATIONS ANNOUNCED BY MINISTRY OF FINANCE AT END OF NOVEMBER -- 75 VIENTIANE 6404, NOTAL -- ALTHOUGH THAT RATE IS IN FACT THE OFFICIAL ONE.)

5. COMMENT: ONE-TO-EIGHT EXCHANGE WOULD BE FAIRLY CLOSE TO THAT OF BEST RATE FOR PATHET LAO OR "RED" KIP IN TERMS OF RLG KIP THAT IS KNOWN TO HAVE PREVAILED IN THOSE PARTS OF COUNTRY WHERE THE TWO CURRENCIES HAVE BOTH BEEN USED. HOWEVER, IT IS CLEAR THAT WHAT IS BEING TALKED ABOUT NOW IS A TOTALLY NEW CURRENCY, NOT AN INTRODUCTION OF "RED" KIP INTO REST OF COUNTRY. INFORMATION BEING GIVEN TO CIVIL SERVANTS THROUGH SEMINARS, AND THUS LIKELY TO BE KNOWN THROUGHOUT VIENTIANE SHORTLY, SOMEWHAT UNDERCUTS LINE BEING TAKEN IN LAO COMMUNIST (#)

JANUARY 6 IN REPLY TO OST-
ENSIBLE QUERY FROM READER SAID
PRESENT KIP WOULD BE USED UNTIL LAO ECONOMY BECAME STRONG ENOUGH TO "STABILIZE THE CURRENCY SO THAT IT WILL NO LONGER BE A SLAVE TO THE DOLLAR." SO FAR AS WE CAN TELL, HOWEVER, INFORMATION CONVEYED TO SEMINARISTS HAS NOT PROMPTED A NEW DROP ON BLACK-MARKET RATE FOR KIP COMPARABLE TO THAT WHICH OCCURRED LIMITED OFFICIAL USE

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IN EARLY DECEMBER DURING BORDER CLOSURE AND EARLIER ROUND OF CURRENCY REFORM RUMORS; ON CONTRARY, BLACK MARKET RATE SINCE EARLY JANUARY HS REMAINED RELATIVELY STABLE AT AROUND 5,000 KIP TO THE DOLLAR.

6. ACTION REQUESTED: DEPARTMENT MAY WISH TO CONSIDER WHAT APPROPRIATE RESPONSE WOULD BE TO PDRL REGULATION OF FSLE SALARY LEVELS.

TEARE

NOTE BY OC/T: (#) OMISSION, CORRECTION TO FOLLOW.

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Margaret P. Grafeld
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